

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7873

BILL NUMBER: HB 1502

NOTE PREPARED: Jan 21, 2003

BILL AMENDED:

SUBJECT: Indiana Growth Scholars Program.

FIRST AUTHOR: Rep. Klinker

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X
X

GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill establishes the Growth Scholars Fund and Program. It provides appropriations to the Growth Scholars Program and the related Certified Degree Program from securitized payments received under the Tobacco Master Settlement Agreement. The bill provides a tax credit against state tax liability for employers that provide employment in targeted employment areas for students and graduates participating in the Growth Scholars Program. It provides for certification of degree programs related to the Growth Scholars Program.

Effective Date: Upon passage; January 1, 2003 (retroactive); July 1, 2003.

Explanation of State Expenditures: The bill appropriates \$35.7 M for FY 2004, \$32.6 M for FY 2005, \$33.1 M for FY 2006, and \$33.6 M for FY 2007 from securitized payments under the Tobacco Master Settlement Agreement. The Energize Growth Scholars Fund is created to receive these payments. The Fund shall be administered by the State Budget Agency. Money in the Fund at the end of a fiscal year does not revert to the General Fund. If the Authority has insufficient money to make the total amount of transfers required by law for any fiscal year, the Authority will make transfers for that fiscal year as directed by the State Budget Agency after review by the Budget Committee.

The table below presents the appropriations for the Indiana Growth Scholars Program, the Certified Degree Program, and the Internship Payroll Credit offset from FY 2004 to FY 2007. The bill authorizes the Student Assistance Commission to use money appropriated under this bill for administrative costs of these programs.

	FY 2004	FY 2005	FY 2006	FY 2007
Indiana Growth Scholars Program	\$27.0 M	\$23.5 M	\$23.5 M	\$23.5 M
Transfer to General Fund to offset costs of Internship Payroll Credit	\$4.0 M	\$4.0 M	\$4.0 M	\$4.0 M
Certified Degree Program	\$4.7 M	\$5.1 M	\$5.6 M	\$6.1 M
Total	\$35.7 M	\$32.6 M	\$33.1 M	\$33.6 M

Growth Scholars Program: The bill creates the Indiana Growth Scholars Program to be administered by the Student Assistance Commission. Under the Indiana Growth Scholars Program, the Commission would award grants of up to \$4,000 to full-time undergraduate and graduate students enrolled in certified degree programs. Eligible students also must be Indiana residents, meet certain academic requirements, and be participants in the internship component of the certified degree program.

Certified Degree Programs: The bill provides for the establishment of *certified degree programs* by state and private institutions of higher learning. These programs would be certified by the Student Assistance Commission in consultation with the Department of Workforce Development and the Commission for Higher Education. Under the bill, a certified degree program must address areas of *targeted employment* and include an internship component. The bill defines targeted employment as employment in any of the following business activities.

- (1) Advanced manufacturing, including the following:
 - (A) Automotive and electronics.
 - (B) Aerospace technology.
 - (C) Robotics.
 - (D) Engineering design technology.
- (2) Life sciences, including the following:
 - (A) Orthopedics or medical devices.
 - (B) Biomedical research or development.
 - (C) Pharmaceutical manufacturing.
 - (D) Agribusiness.
 - (E) Nanotechnology or molecular manufacturing.
- (3) Information technology, including the following:
 - (A) Informatics.
 - (B) Certified network administration.
 - (C) Software development.
 - (D) Fiber optics.
- (4) Twenty-first century logistics, including the following:
 - (A) High-tech distribution.
 - (B) Efficient and effective flow and storage of goods, services, or information.
 - (C) Intermodal ports.

Other Administrative Impacts: The Department of State Revenue (DOR) would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate the

Internship Payroll Credit. In addition, the bill requires the Student Aid Commission to certify degree programs in consultation with the Commission for Higher Education and the Department of Workforce Development. Any expenses relating to these additional administrative requirements presumably could be absorbed given each agency's existing budget and resources.

Explanation of State Revenues: *Internship Payroll Credit:* The bill establishes the Internship Payroll Credit for payroll and other costs incurred by a taxpayer that employs in *targeted employment* a student in, a or graduate of, a *certified degree program*. (See discussion of these terms under *Explanation of State Expenditures*.) This credit may be claimed by individual and corporate taxpayers against their Adjusted Gross Income (AGI) Tax, the Insurance Premiums Tax, and the Financial Institutions Tax liabilities. The amount of credits eligible taxpayers may claim annually is indeterminable. This total would be contingent upon a number of factors, including employer utilization, student interest, and current and future capacity of higher learning institutions to operate certified degree programs. The credit is effective beginning in tax year 2003. As a result, the fiscal impact could begin in FY 2004 depending upon how quickly degree programs can be certified.

The bill appropriates \$4.0 M annually in FY 2004 to FY 2007 from the Energize Indiana Growth Scholars Fund to the state General Fund to offset the costs of the credit (see *Explanation of State Expenditures*). Thus, at least 4,000 certified degree program students or graduates placed in targeted employment positions could be claimed for purposes of the credit during tax years 2003 to 2006, with no net fiscal impact to the state General Fund. This assumes that each eligible taxpayer claims \$1,000 per student or graduate employed and does not carry over excess credits to succeeding years. The bill does not provide for funding the credit offset after FY 2007.

Under the bill, a taxpayer is entitled to a credit equal to the sum of: (1) \$500 for each targeted employment position filled by a student or graduate of a certified degree program; plus (2) the lesser of the payroll expenditures incurred by the taxpayer to employ the student or graduate in targeted employment or \$500. The credit is not refundable but may be carried forward to subsequent years. The credit can not be carried back. If an employer is a pass through entity and does not have a tax liability, the credit could be taken by shareholders, partners, or members of the pass through entity in proportion to their distributive income from the pass through entity. A taxpayer claiming the credit for an employee is not eligible to receive the Enterprise Zone Employment Credit or the Prison Investment Credit for the same employee.

Revenue from the AGI Tax on corporations, the Financial Institutions Tax, and the Insurance Premiums Tax is deposited in the state General Fund. Eighty six percent of the revenue from the AGI Tax on individuals is deposited in the state General Fund, and 14% of this revenue is deposited in the Property Tax Replacement Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue, Department of Workforce Development, Student Assistance Commission, Commission for Higher Education.

Local Agencies Affected:

Information Sources:

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